

## Message Text

UNCLASSIFIED

PAGE 01 RIO DE 03736 142214Z

65

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 OPIC-06 /024 W

----- 018985

R 141831Z NOV 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 0000

USDOC WASHDC

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 3736

E. O. 11652: N/A

TAGS: BTIO, BR

SUBJ: INVESTMENT OPPORTUNITY: BRAZILIAN LOCOMOTIVES INDUSTRY -  
RECOMMENDATIONS FOR INVESTMENTS IN THIS SECTOR

1. SUMMARY: THE BRAZILIAN GOVERNMENT HAS ACCOUNCED THAT IT WILL SELECT A LIMITED NUMBER OF FOREIGN LOCOMOTIVE MANUFACTURERS TO PRODUCE LOCOMOTIVES IN BRAZIL ON A JOINT-VENTURE BASIS. COMPANIES, SELECTED WILL BE AWARDED GOB INCENTIVES FOR THE INSTALLATION OF THEIR PLANTS. INTERESTED AMERICAN FIRMS SHOULD SUBMIT TECHNICAL PRE-QUALIFICATION DOCUMENTS DIRECTLY TO THE BRAZILIAN GOVERNMENT. END SUMMARY.

1. THE RAPID GROWTH OF THE BRAZILIAN ECONOMY AND THE ENERGY CRISES HAVE IMPACTED ON BRAZIL'S SKEWED TRANSPORTATION SYSTEM, MAKING IT DIFFICULT TO TRANSPORT AND EXPORT LARGE QUANTITIES OF AGRICULTURAL, MINERAL AND MANUFACTURED GOODS. (ROAD TRANSPORT ACCOUNTS FOR APPROXIMATELY 78 PERCENT OF TOTAL CARGO MOVEMENTS). THE BRAZILIAN GOVERNMENT HAS RESPONDED TO THIS CRISES, IN PART, BY ATTEMPTING TO ENLARGE AND MODERNIZE ITS RAILROAD NETWORK (SEE REPAIRS). AN AMBITIOUS 5 YEAR DEVELOPMENT PROGRAM HAS BEEN ANNOUNCED CONTEMPLATING CONSTRUCTION OF ADDITIONAL TRACK AND PURCHASES OF ROLLING STOCK. THE SIZE OF THIS PROGRAM CALLED INTO QUESTION THE CAPACITY OF THE COUNTRY'S SINGLE MANUFACTURER OF LOCOMOTIVES, TO MEET GROWING NEEDS OR THE DESIRABILITY OF RELYING ON A SINGLE FIRM. CONSEQUENTLY, IN MID-1974 THE BRAZILIAN GOVERNMENT APPOINTED AN INTER-MINISTERIAL

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 RIO DE 03736 142214Z

COMMISSION, COMISSAO COORDENADORA DA POLITICA DE COMPRA DE

LOCOMOTIVAS, TO STUDY THE ADVISABILITY OF HAVING ADDITIONAL LOCOMOTIVE MANUFACTURERS LOCATE IN BRAZIL. IN NOVEMBER 1975 THE COMMISSION PUBLISHED AN ANNOUNCEMENT CALLING FOR PRE-QUALIFICATION OF POTENTIAL MANUFACTURERS OF LOCOMOTIVES.

2. THE COMMISSION HAS ANNOUNCED THAT IT WILL ADOPT THE FOLLOWING BASIC CRITERIA FOR THE SELECTION OF LOCOMOTIVE MANUFACTURERS:

A) NUMBER OF LOCOMOTIVES ALREADY IN USE IN BRAZIL. LIMITING THE NUMBER OF MAKES AND MODELS OF LOCOMOTIVES IS ONE OF THE OBJECTIVES OF BRAZILIAN RAILROADS. FOR THIS REASON, THOSE MANUFACTURERS WHO PROPOSE TO PRODUCE MODELS AND MAKES THAT HAVE ALREADY PROVED EFFICIENT BY BRAZILIAN RAILROADS WILL RECEIVE GREATER CONSIDERATION THAN THOSE WHOSE PRODUCTS ARE NOT IN USE HERE. B) PROGRAM OF PROGRESSIVE NATIONALIZATION FOR LOCOMOTIVE COMPONENTS. THE MINIMUM REQUIRED LOCAL INDICES WILL BE ESTABLISHED BY THE INDUSTRIAL DEVELOPMENT COUNCIL; C) JOINT-VENTURE TYPE OF ORGANIZATION WITH MAJORITY BRAZILIAN EQUITY PARTICIPATION. THE BRAZILIAN PARTNER WILL BE EXPECTED TO CONTROL THE COMPANY AND ABSORB THE TRANSFER OF TECHNOLOGY. THE FOREIGN PARTNER WOULD BE PRIMARILY RESPONSIBLE FOR INTRODUCTION AND UP-DATING TECHNOLOGY AND FOR DEVELOPING EXPORT MARKETS. D) THE FOREIGN PARTNER WILL GRADUALLY TRANSFER TO BRAZIL ALL PROJECT DESIGN TOGETHER WITH DRAWINGS, LAY-OUTS, SPECIFICATIONS, PRODUCTION KNOW-HOW, MATERIALS AND INSTRUMENTS CHARACTERISTICS; E) PROJECTS FOR INSTALLATION OF ELECTRIC AND DIESEL-ELECTRIC LOCOMOTIVES PLANT MUST CONTAIN PROVISIONS TO EXPORT COMPLETE LOCOMOTIVES AND/OR COMPONENTS IN AN AMOUNT SUFFICIENTLY LARGE TO OFFSET THE FOREIGN CURRENCY EXPENDITURE REQUIRED TO IMPLEMENT THE PROJECT. F) TO REDUCE INVENTORY INVESTMENT, THE LOCOMOTIVE MANUFACTURERS MAY USE BONDED WAREHOUSES TO MAINTAIN A MINIMUM INVENTORY OF REQUIRED IMPORTED PARTS; G) THE PROPOSED PROJECTS MUST OFFER CONDITIONS FOR HEAVY REPAIRS (OVERHAUL, ACCIDENTS) OF LOCALLY MADE LOCOMOTIVES AND OF EXISTING IMPORTED LOCOMOTIVES; H) PERFORMANCE GUARANTEES BOTH FOR LOCOMOTIVES AND FOR A MINUM 15 YEAR SUPPLY OF SPARE PARTS WILL BE REQUIRED.

3. THE PRE-QUALIFICATION DOCUMENTS MUST BE SUBMITTED TO THE COMISSAO COORDENADORA DA POLITICA DE COMPRA DE LOCOMOTIVES; EDIFICIO DO MINISTERIO DOS TRANSPORTES; ESPLANADA DOS MINISTERIOS, BLOCO 9 - 6 ANDAR., BRASILIA, D.F., BRAZIL, NOT UNCLASSIFIED

UNCLASSIFIED

PAGE 03 RIO DE 03736 142214Z

LATER THAN DECEMBER 15, 1975.

4. MINIMUM DOCUMENTARY REQUIREMENTS ARE: A) NAME, ADDRESS AND HISTORY OF INTERESTED FIRM OR FIRMS, INCLUDING FOREIGN AND BRAZILIAN PARTNERS.

B) BUSINESS HIGHLIGHTS SUCH AS IMPORT VOLUME, EXPORT VOLUME, OUTSTANDING LOANS, LOAN REPAYMENT PERFORMANCE, PAYMENTS AND

RECEIPTS FOR ROYALTIES, ETC. COVERING THE LAST THREE YEARS.

C) PLANT INFORMATION CONSISTING OF LOCATION OF INDUSTRIAL FACILITIES, ELECTRIC AND DIESEL-ELECTRIC PRODUCTION LINES WITH EVOLUTION HISTORY.

D) TECHNICAL SPECIFICATIONS AND BASIC CHARACTERISTICS OF LOCOMOTIVES. PRODUCTION AND SALES DATA INCLUDING SEPARATE FIGURES FOR MODELS THAT ARE CONTEMPLATED FOR LOCAL BRAZILIAN PRODUCTION (VOLUME OF PRODUCTION, VALUE OF SALES ON INTERNAL MARKET AND EXPORTS). GLOBAL LOCOMOTIVE POPULATION (BY COUNTRY) RELATING TO THOSE MODELS THAT WILL BE MANUFACTURED IN BRAZIL. RELATIVE PARTICIPATION OF BRAZILIAN JOINT-VENTURE PARTNER IN THE MARKETS ENVISAGED BY THE PROJECT, THEIR COMPETITIVE POSITION AND PRESENT ACTIVITY. TOTAL INSTALLED PROJECT CAPACITY. DESCRIPTION OF TYPE OF RELATIONSHIP TO BE MAINTAINED WITH FOREIGN PARTNERS. DESCRIPTION OF EXISTING RAILROAD ORIENTED INDUSTRIAL FACILITIES AND DESCRIPTION OF PLANNED ADDITIONAL INSTALLATIONS. ESTIMATED VALUE OF PURCHASES OF A) DOMESTIC MACHINERY AND EQUIPMENT, AND B) IMPORTED MACHINERY AND EQUIPMENT. CASH-FLOW ESTIMATES.

COMMENTS: THE DEPARTMENT OF COMMERCE MAY WISH TO ALERT POTENTIAL U.S. MANUFACTURERS TO THIS INVESTMENT OPPORTUNITY. WE UNDERSTAND THAT GENERAL MOTORS AND MONTREAL LOCOMOTIVE WORKS/ALCO ENGINES DIVISION OF WHITE MOTORS MAY BE CONSIDERING BRAZILIAN INVESTMENTS IN THIS SECTOR.  
DEXTER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 NOV 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975RIODE03736  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750397-0793  
**From:** RIO DE JANEIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751141/aaaabkqf.tel  
**Line Count:** 143  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 29 OCT 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <29 OCT 2003 by chicheje>; APPROVED <12 FEB 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INVESTMENT OPPORTUNITY: BRAZILIAN LOCOMOTIVES INDUSTRY - RECOMMENDATIONS FOR INVESTMENTS IN THIS SECTOR  
**TAGS:** BTIO, BR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006